



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
HICKMAN COUNTY SHERIFF**

**Calendar Year 1999**

**EDWARD B. HATCHETT, JR.  
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## **EXECUTIVE SUMMARY**

### **HICKMAN COUNTY J. W. MORAN, SHERIFF CALENDAR YEAR 1999 FEE AUDIT**

#### **Description of Office:**

The office of the County Sheriff is mandated and regulated by state laws and regulations. The Sheriff has been charged with the responsibility of collecting taxes and providing protection to the public.

#### **Audit Results:**

The Auditor of Public Accounts has issued an unqualified opinion on the Hickman County Sheriff's financial statement for calendar year 1999. An unqualified opinion is an opinion issued when the auditor, based on the audit work performed, believes the financial statement of the auditee is presented fairly in all material respects.

Based on the results of our audit, we have presented the accompanying comment and recommendation:

- The Sheriff Should Have A Written Agreement To Protect Deposits

#### **Excess Fees:**

The financial statement of the Hickman County Sheriff for calendar year 1999 reflects excess fees of \$60 due the fiscal court.

#### **Notes to the Financial Statement:**

During 1995, 1997, and 1998, the Hickman County Sheriff was awarded various Community Oriented Policing Service grants totaling \$121,205. As of January 1, 1999, the grant balance was \$3,969. During calendar year 1999, receipts were \$12,301 and \$15,021 was disbursed, leaving a balance of \$1,249 as of December 31, 1999.



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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Greg Pruitt, Hickman County Judge/Executive  
Honorable J. W. Moran, Hickman County Sheriff  
Members of the Hickman County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Hickman County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 1999, in conformity with the basis of accounting described above.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Sheriff Should Have A Written Agreement To Protect Deposits

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Greg Pruitt, Hickman County Judge/Executive  
Honorable J. W. Moran, Hickman County Sheriff  
Members of the Hickman County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated August 28, 2000, on our consideration of the County Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 28, 2000

HICKMAN COUNTY  
J. W. MORAN, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

Federal Grants		\$	16,176
State Grants			5,261
State Fees For Services:			
Finance and Administration Cabinet	\$	3,668	
Meals For Jurors		<u>139</u>	3,807
Circuit Court Clerk:			
Sheriff Security Service	\$	3,130	
Fines and Fees Collected		<u>993</u>	4,123
Fiscal Court			38,867
County Clerk - Delinquent Taxes			421
Commission On Taxes Collected			45,336
Fees Collected For Services:			
Auto Inspections	\$	1,820	
Accident and Police Reports		138	
Serving Papers		4,130	
Carrying Concealed Deadly Weapon Permits		2,700	
Advertising Fees		6,339	
Mental Patients		938	
Conveying Convicts		30	
Transporting Juveniles		<u>30</u>	16,125
Other:			
Reimbursements			66
Interest Earned			431
Borrowed Money:			
State Advancement			<u>8,391</u>
Gross Receipts (Carried Forward)		\$	139,004

HICKMAN COUNTY  
J. W. MORAN, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 1999  
(Continued)

Gross Receipts (Brought Forward) \$ 139,004

Disbursements

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$ 14,609
Other Salaries	18,240
KLEPF Salaries	4,890
COPS Salaries	8,862

Employee Benefits-

Employer's Share Social Security	678
Employer's Share Retirement	369

Contracted Services-

Contracted Services	650
Advertising	641
Vehicle Maintenance and Repairs	95

Materials and Supplies-

Office Materials and Supplies	777
Uniforms	496
Radio Expense	877

Auto Expense-

Mileage	10,830
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Other Charges-

Dues	300
Postage	1,377
Miscellaneous	325
Telephone	4,224
Carrying Concealed Deadly Weapon Permits	1,200
Meals for Jurors	57
Sheriff's Incentive Pay	688

Debt Service:

State Advancement	8,391
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Reimbursement to County Treasurer

5,481

Total Disbursements

84,057

Net Receipts

\$ 54,947

Less: Reserved For Future Grant Expenditures (Note 5)

\$ 1,249

Statutory Maximum

53,638

54,887

Balance Due at Completion of Audit

\$ 60

The accompanying notes are an integral part of the financial statement.

HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 1999  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board of committee, and (c) an official record of the depository institution. The depository institution has pledged or provided sufficient collateral, and the depository institution's board of directors or loan committee approved the pledge or provision. However, the depository institution did not have a written agreement with the Sheriff securing the Sheriff's interest in the collateral.

Note 4. Drug Fund

During 1999, the Sheriff maintained a Drug Fund for the purpose of drug eradication and drug education. The balance at January 1, 1999, was \$4,219. Disbursements of \$93 were made from the drug account during the calendar year 1999. There were no receipts. The balance at December 31, 1999, was \$4,126.

Note 5. Community Oriented Policing Service Grants

During 1995, 1997, and 1998, the Hickman County Sheriff was awarded various Community Oriented Policing Service grants totaling \$121,205. As of January 1, 1999, the grant balance was \$3,969. During calendar year 1999, receipts totaled \$12,301 and \$15,021 was expended, leaving a balance of \$1,249 as of December 31, 1999.

COMMENT AND RECOMMENDATION



HICKMAN COUNTY  
J. W. MORAN, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

Calendar Year 1999

The Sheriff Should Have A Written Agreement to Protect Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. As of January 5, 1999, the Sheriff had bank deposits of \$129,499; FDIC insurance of \$100,000; and collateral pledged or provided of \$464,000. Even though the Sheriff obtained sufficient collateral of \$464,000, there was no written agreement between the Sheriff and the depository institution, signed by both parties, securing the Sheriff's interest in the collateral. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, (c) an official record of the depository institution. We recommend the Sheriff enter into a written agreement with the depository institution to secure the Sheriff's interest in the collateral pledged or provided by the depository institution.

*Sheriff's Response:*

*Understood.*

PRIOR YEAR FINDING:

In the prior year, sheriff did not have a written pledge of securities agreement with his depository institution. There has been no change in the current year.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable Greg Pruitt, Hickman County Judge/Executive  
Honorable J. W. Moran, Hickman County Sheriff  
Members of the Hickman County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Hickman County Sheriff as of December 31, 1999, and have issued our report thereon dated August 28, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hickman County Sheriff's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hickman County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Greg Pruitt, Hickman County Judge/Executive  
Honorable J. W. Moran, Hickman County Sheriff  
Members of the Hickman County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 28, 2000

